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## **Press briefing**

# **CSR: Further Red Tape or Chance for SMEs?**

### **Introduction**

The issue of Corporate Social Responsibility (CSR) is high on the agenda of the European Union and of European and national SME organisations and their members. The European Parliament's Committee on Employment and Social Affairs recently voted a report on CSR, which is now in the agenda for the Parliament's plenary, and other initiatives are taking place at various levels.

The common understanding of CSR, which is also accepted by the European Union, is that of "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis".

UEAPME entirely shares this concept, and its member organisations are deeply convinced of its value. A socially responsible entrepreneur is a better, stronger businessman. However, CSR must be conceived according to certain principles and seen in the light of the reality of Europe's more than 24 million SMEs. This briefing aims at stressing the key features CSR should include to become an opportunity instead of simply further red tape for SMEs, in the light of the doubtful suggestions made in the EP report on CSR.

### **Integrating CSR in SMEs: creating win-win situations**

CSR practices are already taking place in European small businesses, yet for many SMEs CSR is a relatively unknown concept. We need to place this concept in the enterprise itself – it has to give answers to real experiences and difficulties, problems, shortcomings, desired improvements that the entrepreneur considers useful for his or her enterprise. Most of the times, this means that the owner-manager of an SME will be the gateway to introduce CSR in its business practices. He or she must be convinced that CSR is not a kind of charity or good deed on behalf of the enterprise, or an act to ease his or her conscience, but a real tool to create win-win situations and bring advantages to the enterprise, its suppliers, clients, employees and the social reality it operates in at the same time.

### **Reporting and accountability: formal vs. informal measures**

The CSR debate in general, and the European Parliament's draft report in particular, have recently drawn the attention to the issues of reporting and accountability in CSR practices. Some suggestions to create legally binding obligations on reporting and accountability are completely off the mark, and seem to be geared more towards the reality of big multinationals.

First of all, CSR must be seen in the light of its voluntary nature. Imposing compulsory reporting clauses on a voluntary activity is tantamount to nonsense. Secondly, obligatory reports will not make enterprises

more socially responsible – on the contrary, they will put enterprises on the defensive and scare them away from CSR. Thirdly, calls for compulsory reporting do not take into account the additional administrative burden for SMEs: as the European Charter for Small Enterprises clearly states, SMEs “are the first to suffer if weighed down with excessive bureaucracy”. Finally, a useful evaluation and verification by independent third parties, as recently suggested, would be impossible when facing 25 million reports.

UEAPME is therefore against the calls to introduce an obligation to report on CSR activities, which cannot be accepted and should be rejected. Indeed, due to the multitude of existing practices in the field of CSR among SMEs, a global evaluation instrument cannot be found and would not be useful. SMEs do communicate and report on a daily basis, but in an informal way, to their clients, neighbours and staff.

### **Liability, complaints and standards: a step too far**

Additional liabilities arising from CSR practices are suggested in the EP report, both for a company’s own actions and for subcontracting or supply chain relations. These would of no added value, since the existing legislation and sanctions in the areas of labour law, health and safety at work, human rights and environmental protection already provide sufficient protection. Moreover, it is not up to the enterprise to control the legal compliance of third parties such as other businesses, which is instead one of the essential tasks of the public authorities.

The various calls to introduce standardisation in the field do not do justice to the reality of CSR in SMEs. No standard will be able to deal with the diversity and complexity of the socially responsible activities of enterprises, especially micro and small enterprises.

Similarly, taking into account CSR when awarding public procurement contracts would be equally dangerous. It would entail a subjective and scarcely definable analysis and introduce an unnecessary further criterion for SMEs to deal with. Public procurement rules for SMEs must not be complicated as the EP report suggests.

### **Institutionalisation of CSR: a risk to be avoided**

The requirement of a single point of coordination, the appointment of an EU Ombudsman on CSR and the publication of an annual CSR report by the European Commission, as foreseen by the draft EP report on CSR, are all worrying attempts to institutionalise the issue. Bureaucratising CSR at European level will shy away enterprises and is neither helpful nor reconcilable with the European Commission’s recent simplification efforts.

For the abovementioned reasons, UEAPME feels that the European Parliament report on CSR leaves a lot to be desired and creates mistrust towards enterprises. We are left under the strong impression that it will be of no added value in promoting a real uptake of socially responsible activities by enterprises in general and SMEs in particular. Therefore, UEAPME calls on MEPs to reject the Howitt report on CSR.

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